

RECEIVED
LEGISLATIVE AUDITOR

95 SEP 29 AM 9:1

LOUISIANA PRIMARY CARE ASSOCIATION, INC.

BATON ROUGE, LOUISIANA

FINANCIAL STATEMENTS

AND

AUDITORS' REPORTS

FOR THE FISCAL YEAR ENDED

MARCH 31, 1995

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the audited, or reviewed, entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 10-11-95

LOUISIANA PRIMARY CARE ASSOCIATION, INC.
BATON ROUGE, LOUISIANA

FINANCIAL STATEMENTS AND AUDITORS' REPORTS
FOR THE FISCAL YEAR ENDED MARCH 31, 1995

TABLE OF CONTENTS

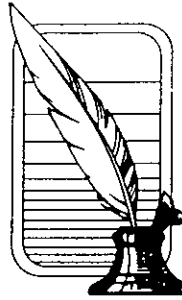
	<u>Page</u>
Independent Auditors' Report	1
FINANCIAL STATEMENTS	
Balance Sheet-All Funds	2
Statement of Activity, for the Fiscal Year Ended March 31, 1995	3
Statement of Cash Flows, for the Fiscal Year Ended March 31, 1995	4
Notes to Financial Statements	5
SUPPLEMENTAL INFORMATION	
Independent Auditors' Report on Internal Control Structure Based on an Audit of Financial statements Conducted In Accordance with <u>Government Auditing Standards</u>	12
Independent Auditors' Report on Compliance with Laws, Regulations, Contracts and Grants Based on an Audit of Financial Statements Conducted in Accordance with <u>Government Auditing Standards</u>	17
Independent Auditors' Report on Schedule of Federal and State Financial Awards	19
Schedule of Federal and State Awards for the Fiscal Year Ended March 31, 1995	20
Independent Auditors' Report on the Internal Control Structure Used in Administering Federal Awards	21
Independent Auditors' Report on Compliance with Specific Requirements Applicable to Nonmajor Federal Program Transactions	27

LOUISIANA PRIMARY CARE ASSOCIATION, INC.
BATON ROUGE, LOUISIANA

FINANCIAL STATEMENTS AND AUDITORS' REPORTS
FOR THE FISCAL YEAR ENDED MARCH 31, 1995

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditors' Report on Compliance with the General Requirements Applicable to Federal Award Programs	29
Schedule of Findings and Questioned Costs in Compliance with General Requirements Applicable to Federal Awards Program Transactions, for the Fiscal Year Ended March 31, 1995	31



PAUL DAUZAT, CPA
WILLIAM T. BEALL, CPA
BILLY C. DEBEVEC, CPA

MARK A. JOHNSON, CPA
WILLIAM E. HUGHES, JR., CPA

MEMBERS
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

SOCIETY OF LOUISIANA
CERTIFIED PUBLIC ACCOUNTANTS

DAUZAT, BEALL & DEBEVEC

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

Board of Directors
Louisiana Primary Care Association, Inc.
Baton Rouge, Louisiana

We were engaged to audit the balance sheet of Louisiana Primary Care Association, Inc. as of March 31, 1995, and the related statements of activity and cash flows for the year then ended. These financial statements are the responsibility of Louisiana Primary Care Association, Inc.'s management.

The **Organization's** accounting records were not adequate enough to satisfy ourselves as to the accuracy of the financial statements.

Because of the significance of the matter discussed in the preceding paragraph, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on the financial statements referred to in the first paragraph.

Dautat, Beall & Debevec
Certified Public Accountants
September 22, 1995

**LOUISIANA PRIMARY CARE ASSOCIATION, INC.
BATON ROUGE, LOUISIANA**

**BALANCE SHEET
MARCH 31, 1995**

	<u>CURRENT FUNDS</u>		<u>PROPERTY AND EQUIPMENT FUND</u>	<u>TOTAL ALL FUNDS</u>
	<u>UNRESTRICTED FUND</u>	<u>RESTRICTED FUND</u>		
ASSETS				
Cash	\$ 610	\$ 242,298		\$ 242,908
Accounts receivable		3,275		3,275
Prepaid insurance		641		641
Property and equipment				
Net of accumulated depreciation			16,671	16,671
Total Assets	<u>\$ 610</u>	<u>\$ 246,214</u>	<u>\$ 16,671</u>	<u>\$ 263,495</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable		\$ 4,096		\$ 4,096
Payroll taxes payable		1,512		1,512
Accrued expenses		2,493		2,493
Capital lease obligation- current portion		1,747		1,747
Capital lease obligation- net of current portion		1,165		1,165
Total liabilities		<u>11,013</u>		<u>11,013</u>
Fund Balances				
Unrestricted fund	\$ 610			610
Restricted fund		235,201		235,201
Property and equipment fund			\$ 16,671	16,671
Total liabilities and Fund Balance	<u>\$ 610</u>	<u>\$ 246,214</u>	<u>\$ 16,671</u>	<u>\$ 263,495</u>

See Accompanying Notes to Financial Statements.

LOUISIANA PRIMARY CARE ASSOCIATION, INC.
BATON ROUGE, LOUISIANA

STATEMENT OF ACTIVITY
FOR THE FISCAL YEAR ENDED MARCH 31, 1995

	<u>CURRENT FUNDS</u>		<u>PROPERTY AND EQUIPMENT FUND</u>	<u>TOTAL ALL FUNDS</u>
	<u>UNRESTRICTED FUND</u>	<u>RESTRICTED FUND</u>		
SUPPORT				
State Grant		\$ 365,000		\$ 365,000
RHI Grant		129,871		129,871
Membership dues		<u>63,873</u>		<u>63,873</u>
Total support		<u>558,744</u>		<u>558,744</u>
EXPENSES				
Salaries		92,846		92,846
Fringe benefits		14,470		14,470
Travel		14,070		14,070
Office supplies and expense		23,536		23,536
Contractual projects		128,595		128,595
Conferences		16,124		16,124
Depreciation			\$ 4,580	4,580
Publications		8,169		8,169
Facility Lease and expense		16,148		16,148
Repairs and maintenance		2,874		2,874
Insurance		6,480		6,480
Legal and accounting		4,350		4,350
Interest		671		671
Other		<u>16,851</u>		<u>16,851</u>
Total Expenses		<u>345,184</u>	<u>4,580</u>	<u>349,764</u>
EXCESS (DEFICIENCY) OF SUPPORT AND REVENUE OVER EXPENSES		213,560	(4,580)	208,980
FUND BALANCES, BEGINNING OF PERIOD	\$ 610	33,641	9,251	43,502
ADD (DEDUCT) TRANSFERS		<u>(12,000)</u>	<u>12,000</u>	
FUND BALANCES, END OF PERIOD	<u>\$ 610</u>	<u>\$ 235,201</u>	<u>\$ 16,671</u>	<u>\$ 252,482</u>

See Accompanying Notes to Financial Statements.

LOUISIANA PRIMARY CARE ASSOCIATION, INC.
BATON ROUGE, LOUISIANA

STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED MARCH 31, 1995

	<u>UNRESTRICTED FUND</u>	<u>RESTRICTED FUND</u>	<u>TOTAL ALL FUNDS</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Support and revenue in excess of expenses		\$ 213,560	\$ 213,560
Changes in working capital:			
Current Assets			
Decrease in accounts receivable		3,000	3,000
Current Liabilities			
Increase in accrued expenses		873	873
Increase in accounts payable		2,463	2,463
Increase in payroll taxes payable		<u>1,219</u>	<u>1,219</u>
Net cash flow from operating activities		<u>7,555</u>	<u>7,555</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property and equipment		<u>(12,000)</u>	<u>(12,000)</u>
Net Cash Flow from investing activities		<u>(12,000)</u>	<u>(12,000)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Principal payments - capital lease obligation		<u>(1,475)</u>	<u>(1,475)</u>
New cash flow from financing activities		<u>(1,475)</u>	<u>(1,475)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS		207,640	207,640
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	\$ 610	<u>34,658</u>	<u>35,268</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>\$ 610</u>	<u>\$ 242,298</u>	<u>\$ 242,908</u>

SUPPLEMENTAL DISCLOSURES:

Cash paid for interest	<u>\$ 671</u>	<u>\$ 671</u>
------------------------	---------------	---------------

See Accompanying Notes to Financial Statements.

LOUISIANA PRIMARY CARE ASSOCIATION, INC.
BATON ROUGE, LOUISIANA

NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED MARCH 31, 1995

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(A) NATURE OF ACTIVITIES

Louisiana Primary Care Association, Inc., hereinafter referred to as the **Organization**, was organized under the provisions of R.S. 1950, Title 12, Chapter 2, as amended, State of Louisiana on October 15, 1982, and recorded in the Non-Profit Corporation Book of the State of Louisiana.

The **Organization** was formed as a membership organization for Section 330 federally funded community health centers. Its purpose is to render technical and non-financial assistance to Community Health Centers. Specific services include providing continuing medical education workshops for physicians, staffs and governing board members; working with the Louisiana Department of Health and Hospitals in coordinating shared services with Public Health programs; networking; developing a newsletter; sponsoring statewide health fairs; and conducting education programs and workshops. The **Organization** has assumed a leadership role in providing guidance and assistance to Community Health Centers in responding to special activities related to medical manpower development and implementation of a state-based primary care strategy through a cooperative agreement with the Department of Health and Hospitals.

The corporation qualifies as an exempt organization under Section 501(c)(3) of the Internal Revenue Code and was notified of such status on January 26, 1990, pursuant to an advance ruling period beginning on October 17, 1989, and ending on September 30, 1995. Accordingly, during the advance ruling period, the corporation is treated as a public supported organization and not as a private foundation. Within ninety (90) days after the end of the advance ruling period, a determination will be made as to qualifications as a publicly supported organization under Section 509(a)(1) of the Internal Revenue Code.

During the year ended March 31, 1995, the **Organization's** operations were funded by a technical and non-financial assistance grant awarded under Section 330 of the Public Health Service Act, as amended. Various restrictions are placed on expenditures of these funds. Reconciliations of used and unused funds are prepared at the end of the program year and the propriety of such funds determined by the Department of Health and Human Services. Other support includes membership dues, various contractual relationships, and a one time state grant award for Health Demonstration Project issued by the State of Louisiana Department of Health and Hospitals.

(B) REPORTING ENTITY

The accompanying financial statements of the **Organization** presents the financial position and result of operations of the various fund types; unrestricted, restricted and property and equipment. All activities of the **Organization** are included in these financial statements.

(C) FUND ACCOUNTING

The various funds are grouped in the financial statements in this report into three (3) categories as follows:

UNRESTRICTED

Accounts for resources that can be expended currently for general purposes of the **Organization**.

RESTRICTED

Accounts for funds that can be expended currently, but only for the operating purpose specified by the grantor agencies.

PROPERTY AND EQUIPMENT

Accounts for the purchase of equipment with useful lives greater than one (1) year and the related depreciation expense charged off.

(D) BUDGETS

A budget outlining grant awards, program revenues and expenses is submitted prior to the start of each fiscal year for approval by the Department of Health and Human Services. Budget amendments and changes are allowed by prior approval from the Department of Health and Human Services.

(E) PROPERTY AND EQUIPMENT

Property and equipment is recorded at cost for purchased assets or at fair market value on the date of any donation. Depreciation is provided in the financial statements over the estimated useful lives of the depreciable assets on the straight-line basis. The following estimated useful lives are generally used:

Furniture and fixtures	4 to 10 years
Equipment	4 to 5 years

Expenses for additions, major renewals and betterments are capitalized and expenses for maintenance and repairs are charged to operations as incurred.

The cost of assets retired or otherwise disposed of and the related accumulated depreciation are eliminated from the accounts in the year of disposal. Gains or losses resulting from property disposal are credited as charged to operations currently.

(F) COMPENSATED ABSENCES

Louisiana Primary Care Association employees vest in accrued vacation pay. This amount is not recorded in the financial statements and is insignificant.

(G) TOTAL COLUMNS

Total columns on the financial statements are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations or changes in cash flows in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation.

NOTE 2 CASH

At year end, the carrying amounts of the **Organization's** cash were as follows:

Petty cash	\$ 353
Checking	<u>242,298</u>
Total	<u>\$ 242,651</u>

All deposits were held at Sunburst Bank and insured by the FDIC as follows:

Total deposits	\$ 203,637
Total FDIC insurance	<u>100,000</u>
Total Uninsured	<u>\$ 103,637</u>

NOTE 3 PROPERTY AND EQUIPMENT

A summary of property and equipment and accumulated depreciation at March 31, 1995, is provided:

<u>Property and Equipment</u>				
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
Furniture and equipment	\$ 49,824	\$ 12,000		\$ 61,824
Accumulated depreciation	<u>40,573</u>	<u>4,580</u>		<u>45,153</u>
Net	<u>\$ 9,251</u>	<u>\$ 7,420</u>		<u>\$ 16,671</u>

As explained in Note 1, the **Organization** receives funding under Section 330 of the Public Health Services Act with various restrictions placed on items obtained by these funds. Per the Public Health Service (PHS) Grants Policy Statement, title to real and tangible personal property (expendable and non-expendable) shall rest in the grantee upon acquisition, subject to the accountability requirements and PHS's right to transfer title.

NOTE 4 BOARD OF DIRECTORS

Each of the following directors served the **Organization** without compensation:

Mr. Fred Reed	President
Mr. Milton Bellard	President Elect
Ms. Alice Drefchinski	Secretary
Mr. Mike Andry	Treasurer
Ms. Emma Tarver	
Mr. Vincent Shaw	
Mr. Bill Valrie	
Ms. Helen Law	
Ms. Kathleen McCaffery	
Ms. Marsha Broussard	
Mr. Seymour Mitchell	
Ms. Regina Robinson	
Ms. Elizabeth Lee	

NOTE 5 CONTINGENCIES

The **Organization** evaluates contingencies based upon the best available evidence. The **Organization** believes that no allowance for loss contingencies is considered necessary.

The principal contingencies are described below:

Grant Awards

The ability of the **Organization's** continued operations is contingent upon continued funding from the Public Health Service.

Unobligated Federal Funds

The **Organization's** grant funds, including amounts awarded for the current budget period, and estimated or actual unobligated federal funds carried over from prior budget periods are authorized for the **Organization's** use only in the current budget period in the amount specified by the PHS awarding office in an approved budget on a Notice of Grant Award. As a result of carryovers of unobligated grant funds, the total amount of funds available in the grant account may exceed the federal share of the approved budget. Those funds are not automatically available to the **Organization**. The PHS awarding office exercises sole discretion as to the use of those funds.

Grantor Agencies

Amounts received from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed expenses, including amounts already collected, may constitute a liability. The amount, if any, of expenses which may be disallowed cannot be determined at this time.

IRS Information Return

Form 990, Internal Revenue Service information return of tax exempt organizations is due on the fifteenth (15th) day of the fifth (5th) month following the end of the fiscal year, more specifically, August 15. The returns for the fiscal years ended March 31, 1993, and 1992, were filed late and are subject to penalties up to \$5,000 per year. The **Organization** has not recorded a liability in the financial statements for these amounts and expects to have the penalties waived under extenuating circumstances. As of March 31, 1995, this issue had not been resolved.

NOTE 6 CAPITAL LEASE

The **Organization** entered into a capital lease obligation on December 15, 1993, for the purchase of a copy machine with thirty-six (36) monthly minimum rental payments, beginning January 15, 1995. The lease has been recorded as an asset in the amount of \$5,071 and the corresponding obligation as a liability. Future minimum lease payments as of March 31, 1995 are:

Year Ending	
<u>March 31</u>	
1996	2,112
1997	<u>1,232</u>
Total minimum lease payments	\$ 3,344
Less: amount representing interest	<u>432</u>
Present value of future minimum lease payments	<u>\$ 2,912</u>

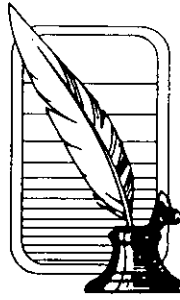
NOTE 7 REVENUES

The **Organization** operates principally from grants awarded by federal and state government and generates revenues through memberships assessments and contractual relationships through special projects.

NOTE 8 ACCOUNTS RECEIVABLES

At year end, accounts receivable consisted of uncollected membership dues.

SUPPLEMENTARY INFORMATION



PAUL DAUZAT, CPA
WILLIAM T. BEALL, CPA
BILLY C. DEBEVEC, CPA

MEMBERS
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

SOCIETY OF LOUISIANA
CERTIFIED PUBLIC ACCOUNTANTS

DAUZAT, BEALL & DEBEVEC

MARK A. JOHNSON, CPA
WILLIAM E. HUGHES, JR., CPA

CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL
STRUCTURE BASED ON AN AUDIT OF FINANCIAL
STATEMENTS CONDUCTED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Directors
Louisiana Primary Care Association, Inc.
Baton Rouge, Louisiana

We were engaged to audit the financial statements of Louisiana Primary Care Association, Inc. (a nonprofit organization) as of and for the fiscal year ended March 31, 1995, and have issued our report thereon dated September 22, 1995. In our report, our opinion was disclaimed because of a scope limitation.

We were engaged to audit in accordance with generally accepted auditing standards, Government Auditing Standards, issued by the Comptroller General of the United States, and Office of Management and Budget (OMB) Circular A-133, "Audits of Institutions of Higher Education and Other Nonprofit Institutions." Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

In planning and performing our analysis of the financial statements of Louisiana Primary Care Association, Inc. for the fiscal year ended March 31, 1995, we considered its internal control structure in order to determine our audit procedures for the purpose of expressing an opinion on the Louisiana Primary Care Association, Inc.'s financial statements and not to provide assurance on the internal control structure.

The management of Louisiana Primary Care Association, Inc. is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, that transactions are executed in accordance with management's authorization and recorded properly to

permit the preparation of financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

For the purpose of this report, we have classified the significant internal control structure policies and procedures in the following categories: cash receipts, payroll, property and equipment, cash disbursements and grant administration.

For all of the internal control structure categories listed above, we obtained an understanding of the design of relevant policies and procedures and determined whether they have been placed in operation, and we assessed control risk.

Of the management suggestions made for the year ended March 31, 1994, these have been implemented: (a) copies of payroll tax reports were kept in a file, (b) property and equipment records were kept current, and (c) interest earned on federal funds was not greater than \$100.

However, we noted certain matters involving the internal control structure and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the organization's ability to record, process, summarize and report financial data in a manner that is consistent with the assertions of management in the financial statements.

These reportable conditions include:

1. PAID INVOICES

Statement of Condition: There were instances where invoices could not be located and invoices were not marked paid and referenced with a corresponding check number.

Recommendation: We recommend that invoices be clearly marked "Paid" and that the check number be placed on the invoice and filed in an invoice file.

2. PAYROLL TAX DEDUCTIONS

Statement of Condition: Payroll taxes were not deducted from any of the bonuses received by the employees.

Recommendation: After approval by the board, bonuses should be treated as additional wages with the proper payroll taxes deducted from the bonus and reported to the IRS in the employee's W-2.

3. PAYROLL

Statement of Condition: There were several instances where time records were not approved for payment and approved pay rates were not evidenced in personnel files. There were also a couple of instances where the employee time sheet was not signed by the employee.

Recommendation: All employee time sheets should be signed by the respective employee and approved for processing by the executive director or a designated board member. Employee pay rates should be formally approved by the board of directors and kept in a personnel file.

4. ACCOUNTING PROCEDURES

Statement of Condition: Most of the invoices selected were not properly authorized for payment.

Recommendation: All invoices should be marked with authorized initials before payment is made.

5. PAYROLL TAX REPORTS

Statement of Condition: Payroll tax was paid late and gross wages on the payroll tax forms did not agree with a general ledger account total.

Recommendation: In order to avoid tax penalties, payroll tax deposits should be timely made and tax reports should be mailed by their respective due dates after being checked for accuracy and completeness.

6. BUDGETS

Statement of Condition: Proper financial management systems require that budgets be compared to actual results on a regular basis.

Recommendation: Periodically, the budget should be compared to actual results in order to facilitate grant administration.

7. EMPLOYEE BONUSES

Statement of Condition: Proper approval for employee bonuses was not evidenced from Board Minutes.

Recommendation: All bonuses should be approved by the Board of Directors. Proper documentation of the approval should be placed in the employees personnel file.

8. BANK RECONCILIATIONS

Statement of Condition: Bank statements were not reconciled on a timely basis.

Recommendation: Reconcile all bank accounts on a monthly basis and compare ending balance with the general ledger.

9. CHECK SEQUENCE

Statement of Condition: The checks were written on prenumbered checks. However, the checks were not written in proper ascending numeric order.

Recommendation: Keep checks in a secure binder to prevent them from getting out of order. Reference the check number of the previous check in comparison to one you are writing as a safeguard.

10. CHECK BOOK

Statement of Condition: The check book for the special account could not be located.

Recommendation: The check book should be locked in a secure location with access only by the executive director.

11. FEDERAL TRANSACTION REPORTS

Statement of Condition: Forms 272 were not accurately prepared.

Recommendation: Forms 272 should be reconciled to a general ledger for each quarter and checked for accuracy.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that errors and irregularities in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However we noted the following matter involving the internal control structure and its operation that we consider to be a material weakness as defined above. This condition was considered in determining the nature, timing, and extent of the procedures to be performed in our audit of the financial statements of Louisiana Primary Care Association, Inc. for the year ended March 31, 1995.

1. FINANCIAL STATEMENTS

Statement of Condition: A general ledger system was not utilized, and financial statements were not prepared on a monthly basis in accordance with generally accepted accounting principles. Accordingly, actual results of operation could not be compared to budget amounts on a regular basis.

Recommendation: We recommend that the **Organization** implement a double entry general ledger system.

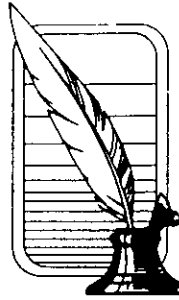
This report is intended for the information of the board of directors, management and the United States Department of Health and Human Services. This restriction is not intended to limit the distribution of this report, which is a matter of public record.



Certified Public Accountants
September 22, 1995

PAUL DAUZAT, CPA
WILLIAM T. BEALL, CPA
BILLY C. DEBEVEC, CPA

MARK A. JOHNSON, CPA
WILLIAM E. HUGHES, JR., CPA



MEMBERS
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

SOCIETY OF LOUISIANA
CERTIFIED PUBLIC ACCOUNTANTS

DAUZAT, BEALL & DEBEVEC

CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH
LAWS, REGULATIONS, CONTRACTS AND GRANTS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS CONDUCTED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

To the Board of Directors
Louisiana Primary Care Association, Inc.
Baton Rouge, Louisiana

We were engaged to audit the financial statements of Louisiana Primary Care Association, Inc. (a nonprofit organization) as of and for the fiscal year ended March 31, 1995, and have issued our report thereon dated September 22, 1995. In our report, our opinion was disclaimed because of a scope of limitation.

We were engaged to audit in accordance with generally accepted auditing standards, Government Auditing Standards, issued by the Comptroller General of the United States, and Office of Management and Budget (OMB) Circular A-133, "Audits of Institutions of Higher Education and Other Nonprofit Institutions." Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the financial statements are free of material misstatement.

Compliance with laws, regulations, contracts, and grants applicable to Louisiana Primary Care Association, Inc. is the responsibility of the **Organization's** management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of Louisiana Primary Care Association, Inc.'s compliance with certain provisions of laws, regulations, contracts, and grants. However, our objective was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

Material instances of noncompliance are failures to follow requirements, or violations of prohibitions, contained in laws, regulations, contracts, or grants that cause us to conclude that the aggregation of the misstatements resulting from those failures or violations is material to the financial statements. The results of our test of compliance disclosed the following material instances of noncompliance.

With respect to items not tested, nothing came to our attention that caused us to believe that the **Organization** had not complied, in all material respects, with those provisions.

The conditions of noncompliance tested are described below:

- ✓1. **Condition:** Payroll tax payment requirements did not comply with federal law.

Recommendation: In order to avoid tax penalties, payroll tax deposits should be timely made and tax reports should be mailed by their respective due dates after being checked for accuracy and completeness.

- ✓2. **Condition:** Federal forms 272 were not accurately prepared for the first quarter of 1995. The second, third and fourth quarter of 1994 forms could not be located.

Recommendation: Forms 272 should be reconciled to a general ledger for each quarter and checked for accuracy. The forms should also be kept in a permanent file.

- ✓3. **Condition:** Paid invoices could not be located.

Recommendation: We recommend that the organization strengthen their system of internal controls. Paid invoices should be kept by each fiscal year and filed appropriately. They must be maintained for four years.

- ✓4. **Condition:** Payroll taxes were not deducted from bonuses.

Recommendation: Bonuses should be treated the same as wages with the proper payroll deductions.

This report is intended for the information of the board of directors, management and the United States Department of Health and Human Services. This restriction is not intended to limit the distribution of this report, which is a matter of public record.



Certified Public Accountants
September 22, 1995



MEMBERS
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS
SOCIETY OF LOUISIANA
CERTIFIED PUBLIC ACCOUNTANTS

PAUL DAUZAT, CPA
WILLIAM T. BEALL, CPA
BILLY C. DEBEVEC, CPA

MARK A. JOHNSON, CPA
WILLIAM E. HUGHES, JR., CPA

DAUZAT, BEALL & DEBEVEC

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT ON SCHEDULE OF FEDERAL AND STATE FINANCIAL AWARDS

To the Board of Directors
Louisiana Primary Care Association, Inc.
Baton Rouge, Louisiana

We were engaged to audit the financial statements of Louisiana Primary Care Association, Inc. (a nonprofit organization) as of and for the fiscal year ended March 31, 1995, and have issued our report thereon dated September 22, 1995. These financial statements are the responsibility of the **Organization's** management. In our report, our opinion was disclaimed because of a scope of limitation.

We were engaged to audit in accordance with generally accepted auditing standards, Government Auditing Standards, issued by the Comptroller General of the United States, and the provisions of Office of Management and Budget Circular A-133, "Audits of Institutions of Higher Education and Other Nonprofit Institutions." Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

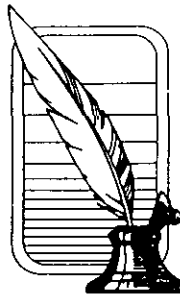
The accompanying schedule of federal and state awards is presented for purposes of additional analysis and is not a required part of the financial statements. The information in that schedule has been subjected to the procedures applied in the audit of the financial statements.

Certified Public Accountants
September 22, 1995

LOUISIANA PRIMARY CARE ASSOCIATION, INC.
BATON ROUGE, LOUISIANA

SCHEDULE OF FEDERAL AND STATE AWARDS
FOR THE FISCAL YEAR ENDED MARCH 31, 1995

<u>FEDERAL-STATE GRANTOR/ PROGRAM NAME</u>	<u>FEDERAL CFDA NUMBER</u>	<u>DISBURSEMENTS/ EXPENDITURES</u>
MAJOR PROGRAMS		
NO MAJOR PROGRAMS		
NONMAJOR PROGRAMS		
UNITED STATES DEPARTMENT OF HEALTH AND HUMAN SERVICES		
Direct Assistance:		
Section 330 F-1	93.129	\$ 99,700
LOUISIANA DEPARTMENT OF HEALTH AND HOSPITALS	N/A	<u>250,064</u>
Total		<u>\$ 349,764</u>



PAUL DAUZAT, CPA
WILLIAM T. BEALL, CPA
BILLY C. DEBEVEC, CPA

MARK A. JOHNSON, CPA
WILLIAM E. HUGHES, JR., CPA

MEMBERS
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

SOCIETY OF LOUISIANA
CERTIFIED PUBLIC ACCOUNTANTS

DAUZAT, BEALL & DEBEVEC

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT ON THE INTERNAL CONTROL STRUCTURE USED IN ADMINISTRATION OF FEDERAL AWARDS

To the Board of Directors
Louisiana Primary Care Association, Inc.
Baton Rouge, Louisiana

We were engaged to audit the financial statements of Louisiana Primary Care Association, Inc. (a nonprofit organization) as of and for the fiscal year ended March 31, 1995, and have issued our report thereon dated September 22, 1995. In our report, our opinion was disclaimed because of a scope limitation.

We conducted our audit in accordance with generally accepted auditing standards, Government Auditing Standards, issued by the Comptroller General of the United States, and Office of Management and Budget (OMB) Circular A-133, "Audits of Institutions of Higher Education and Other Nonprofit Institutions." Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

In planning and performing our analysis for the fiscal year ended March 31, 1995, we considered Louisiana Primary Care Association, Inc.'s internal control structure in order to determine our examination procedures to report on the internal control structure in accordance with OMB Circular A-133. This report addresses our consideration of internal control structure policies and procedures relevant to compliance with requirements applicable to federal programs. We have addressed policies and procedures relevant to our examination of the financial statements in another report dated September 22, 1995.

The management of Louisiana Primary Care Association, Inc. is responsible for establishing and maintaining an internal control structure. In fulfilling the responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, that transactions are executed in

accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles, and that the federal award program is managed in compliance with applicable laws and regulations. Because of inherent limitations in any internal control structure, errors, irregularities, or instances of noncompliance may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

For the purpose of this report, we have classified the significant internal control structure policies and procedures used in administering federal programs in the following categories:

General Requirements

Political activity
Civil rights
Cash management
Federal financial reports
Allowable costs/cost principles
Drug-free workplace
Administrative requirements

Specific Requirements

Types of services allowed/disallowed
Eligibility
Matching level of effort
Claims for advances

For all of the internal control structure categories listed above, we obtained an understanding of the design of relevant policies and procedures and determined whether they have been placed in operation, and we assessed control risk.

During the fiscal year ended March 31, 1995, the Louisiana Primary Care Association, Inc. had no major programs and expended 100 percent of its total federal awards under the following nonmajor program: Section 330 F-1.

We performed tests of controls, as required by OMB Circular A-133, to evaluate the effectiveness of the design and operation of internal control structure policies and procedures that we considered relevant to preventing or detecting material noncompliance with specific requirements, general requirements, and requirements governing claims for advances and reimbursements and amounts claimed or used for matching that are applicable to the aforementioned nonmajor program. Our procedures were less in scope than would be necessary to render an opinion on these internal control structure policies and procedures. Accordingly, we do not express such an opinion.

We noted certain matters involving the internal control structure and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the organization's ability to administer federal awards program in accordance with applicable laws and regulations.

These reportable conditions include:

1. PAID INVOICES

Statement of Condition: There were instances where invoices could not be located and invoices were not marked paid and referenced with a corresponding check number.

Recommendation: We recommend that invoices be clearly marked "Paid" and that the check number be placed on the invoice and filed in an invoice file.

2. PAYROLL

Statement of Condition: There were several instances where time records were not approved for payment and approved pay rates were not evidenced in personnel files.

Recommendation: All employee time sheets should be signed by the respective employee and approved for processing by the executive director or a designated board member. Employee pay rates should be formally approved by the board of directors and kept in a personnel file.

3. PAYROLL TAX DEDUCTIONS

Statement of Condition: Payroll taxes were not deducted from any of the bonuses received by the employees.

Recommendation: After approval by the board, bonuses should be treated as additional wages with the proper payroll taxes deducted from the bonus and reported to the IRS in the employee's W-2.

4. BANK RECONCILIATIONS

Statement of Condition: Bank statements were not reconciled on a timely basis.

Recommendation: Reconcile all bank accounts on a monthly basis and compare ending balance with the general ledger.

5. PURCHASES

Statement of Condition: After a purchase was made documentation relating to the purchase could not be located.

Recommendation: Once a purchase is made, the documentation from the purchase needs to be placed with the approved voucher and properly filed.

6. CHECK SEQUENCE

Statement of Condition: The checks were written on prenumbered checks. However, the checks were not written in proper ascending numeric order.

Recommendation: Keep checks in a secure binder to prevent them from getting out of order. Reference the check number of the previous check in comparison to one you are writing as a safeguard.

7. CHECK BOOK

Statement of Condition: The check book for the special account could not be located.

Recommendation: The check book should be locked in a secure location with access only by the executive director.

8. EMPLOYEE BONUSES

Statement of Condition: Proper approval for employee bonuses was not evidenced from board minutes.

Recommendation: All bonuses should be approved by the board of directors. Proper documentation of the approval should be placed in the employees personnel file.

9. ACCOUNTING PROCEDURES

Statement of Condition: Most of the invoices selected were not properly authorized for payment.

Recommendation: All invoices should be marked with authorized initials before payment is made.

10. PAYROLL TAX REPORTS

Statement of Condition: Payroll tax was paid late and gross wages on the payroll tax forms did not agree with a general ledger account total.

Recommendation: In order to avoid tax penalties, payroll tax deposits should be timely made and tax reports should be mailed by their respective due dates after being checked for accuracy and completeness.

11. BUDGETS

Statement of Condition: Proper financial management systems require that budgets be compared to actual results on a regular basis.

Recommendation: Periodically, the budget should be compared to actual results in order to facilitate grant administration.

12. FEDERAL TRANSACTION REPORTS

Statement of Condition: Forms 272 were not accurately prepared.

Recommendation: Forms 272 should be reconciled to a general ledger for each quarter and checked for accuracy.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that noncompliance with laws and regulations that would be material to a federal program may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we noted the following matter involving the internal control structure and its operation that we consider to be a material weakness as defined above. This condition was considered in determining the nature, timing, and extent of the procedures performed in our audit of the financial statements of Louisiana Primary Care Association, Inc. for the year ended March 31, 1995.

1. **FINANCIAL STATEMENTS**

Statement of Condition: A general ledger system was not utilized, and financial statements were not prepared on a monthly basis in accordance with generally accepted accounting principles. Accordingly, actual results of operation could not be compared to budget amounts on a regular basis.

Recommendation: We recommend that the **Organization** implement a double entry general ledger system.

This report is intended for the information of the board of directors, management and the United States Department of Health and Human Services. This restriction is not intended to limit the distribution of this report, which is a matter of public record.



Certified Public Accountants
September 22, 1995



PAUL DAUZAT, CPA
WILLIAM T. BEALL, CPA
BILLY C. DEBEVEC, CPA

MEMBERS
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

SOCIETY OF LOUISIANA
CERTIFIED PUBLIC ACCOUNTANTS

DAUZAT, BEALL & DEBEVEC

MARK A. JOHNSON, CPA
WILLIAM E. HUGHES, JR., CPA

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH SPECIFIC REQUIREMENTS APPLICABLE TO NONMAJOR FEDERAL PROGRAM TRANSACTIONS

To the Board of Directors
Louisiana Primary Care Association, Inc.
Baton Rouge, Louisiana

We have audited the financial statements of Louisiana Primary Care Association, Inc. (a nonprofit organization) as of and for the fiscal year ended March 31, 1995, and have issued our report thereon dated September 22, 1995. In our report, our opinion was disclaimed because of a scope limitation.

In connection with our audit of the March 31, 1995 financial statements of Louisiana Primary Care Association, Inc. (a nonprofit organization), and with our consideration of the Organization's internal control structure used to administer federal financial assistance programs, as required by Office of Management and Budget Circular A-133, "Audits of Institutions of Higher Education and Other Nonprofit Institutions," we selected certain transactions applicable to certain nonmajor federal programs for the fiscal year ended March 31, 1995.

As required by OMB Circular A-133, we have performed auditing procedures to test compliance with the requirements governing types of services allowed or unallowed, eligibility, matching level of effort, and claims for advances that are applicable to those transactions. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the Louisiana Primary Care Association, Inc. compliance with these requirements. Accordingly, we do not express such an opinion.

With respect to the items tested, the results of our procedures disclosed no material instances of noncompliance with the requirements listed in the preceding paragraph. With respect to items not tested, nothing came to our attention that caused us to believe that Louisiana Primary Care Association, Inc. had not complied, in all material respects, with those requirements.

This report is intended for the information of the board of directors, management and the United States Department of Health and Human Services. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

A handwritten signature in dark ink, appearing to read "David T. Bell". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

Certified Public Accountants
September 22, 1995



PAUL DAUZAT, CPA
WILLIAM T. BEALL, CPA
BILLY C. DEBEVEC, CPA

MARK A. JOHNSON, CPA
WILLIAM E. HUGHES, JR., CPA

MEMBERS
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

SOCIETY OF LOUISIANA
CERTIFIED PUBLIC ACCOUNTANTS

DAUZAT, BEALL & DEBEVEC

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH THE GENERAL REQUIREMENTS APPLICABLE TO FEDERAL AWARDS PROGRAMS

To the Board of Directors
Louisiana Primary Care Association, Inc.
Baton Rouge, Louisiana

We were engaged to audit the financial statements of Louisiana Primary Care Association, Inc. (a nonprofit organization) as of and for the fiscal year ended March 31, 1995, and have issued our report thereon dated September 22, 1995. In our report, our opinion was disclaimed because of a scope limitation.

We have applied procedures to test Louisiana Primary Care Association, Inc.'s compliance with the following requirements applicable to its federal awards programs, which are identified in the accompanying schedule of federal awards, for the year ended March 31, 1995: political activity, civil rights, cash management, federal financial reports, allowable costs/cost principles, drug free work place, and administrative requirements.

Our procedures were limited to the applicable procedures described in the Office of Management and Budget's "Compliance Supplement for Audits of Educational Institutions and Other Nonprofit Institutions". Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on Louisiana Primary Care Association, Inc.'s compliance with the requirements listed in the preceding paragraph. Accordingly, we do not express such an opinion.

With respect to the items tested, Louisiana Primary Care Association's complied with the requirements listed in the second paragraph. With respect to items not tested, nothing came to our attention that caused us to believe that Louisiana Primary Care Association had not complied, in all material respects, with those requirements. However, our procedures disclosed immaterial instances of noncompliance with those requirements as described in the attached schedule of findings and questioned costs.

This report is intended for the information of the board of directors, management and the United States Department of Health and Human Services. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

A handwritten signature in dark ink, appearing to read "David J. Bell". The signature is fluid and cursive, with a long horizontal flourish extending to the right.

Certified Public Accountants
September 22, 1995

LOUISIANA PRIMARY CARE ASSOCIATION, INC.
BATON ROUGE, LOUISIANA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
IN COMPLIANCE WITH GENERAL REQUIREMENTS APPLICABLE TO
FEDERAL AWARDS PROGRAM TRANSACTIONS
FOR THE FISCAL YEAR ENDED MARCH 31, 1995

<u>Program</u>	<u>Number of Items in Population</u>	<u>Number of Items Tested</u>	<u>Number of Items Not in Compliance</u>	<u>Dollar Amount of Population</u>	<u>Dollar Amount Items Tested</u>	<u>Dollar Amount of Items Not in Compliance</u>	<u>Amount of Questioned Costs</u>
----------------	--	---	--	--	---	---	---

DEPARTMENT OF HEALTH AND HUMAN SERVICES

Section 330 F-1 Program

Statement of Condition

Paid invoices were not properly authorized for payment.

528 105 31 \$99,700 \$73,457 \$24,295 *

Criteria

Cash management requires that disbursements of federal funds be properly authorized.

Effect of Condition

The cost of the disbursements could be disallowed.

Cause of Condition

Policy was not enforced and monitored.

Section 330 F-1 Program

Statement of Condition

Supporting documentation for some of the disbursements could not be located.

528 105 7 \$99,700 \$73,457 \$4,432 \$4,432

Criteria

General requirements state that all disbursements should have proper supporting documents on file.

Effect of Condition

The cost of the disbursements could be disallowed.

Cause of Condition

Unknown

* Effect is either nominal, not ascertainable or not applicable.

LOUISIANA PRIMARY CARE ASSOCIATION, INC.
BATON ROUGE, LOUISIANA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
IN COMPLIANCE WITH GENERAL REQUIREMENTS APPLICABLE TO
FEDERAL AWARDS PROGRAM TRANSACTIONS
FOR THE FISCAL YEAR ENDED MARCH 31, 1995

<u>Program</u>	<u>Number of Items in Population</u>	<u>Number of Items Tested</u>	<u>Number of Items Not in Compliance</u>	<u>Dollar Amount of Population</u>	<u>Dollar Amount Items Tested</u>	<u>Dollar Amount of Items Not in Compliance</u>	<u>Amount of Questioned Costs</u>
----------------	--	---	--	--	---	---	---

DEPARTMENT OF HEALTH AND HUMAN SERVICES

Section 330 F-1 Program

Statement of Condition

The payroll tax payment requirements were not complied with.

*	*	*	*	*	\$1,133	\$1,133
---	---	---	---	---	---------	---------

Criteria

Federal and state laws require that payroll tax payments be submitted by their respective due dates.

Effect of Condition

Penalties and interest assessed.

Cause of Condition

Payroll tax deposits and payments were not made on time.

Section 330 F-1 Program

Statement of Condition

Payroll records were not approved and approved pay rates were not evidenced in personnel files.

123	15	5	\$81,565	\$12,518	\$3,692	*
-----	----	---	----------	----------	---------	---

Criteria

Allowable costs/cost principles require that disbursements be supported by proper documentation.

Effect of Condition

The payroll cost could be disallowed.

Cause of Condition

Policy and procedure was not enforced.

* Effect is either nominal, not ascertainable or not applicable.

LOUISIANA PRIMARY CARE ASSOCIATION, INC.
BATON ROUGE, LOUISIANA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
IN COMPLIANCE WITH GENERAL REQUIREMENTS APPLICABLE TO
FEDERAL AWARDS PROGRAM TRANSACTIONS
FOR THE FISCAL YEAR ENDED MARCH 31, 1995

<u>Program</u>	<u>Number of Items in Population</u>	<u>Number of Items Tested</u>	<u>Number of Items Not in Compliance</u>	<u>Dollar Amount of Population</u>	<u>Dollar Amount Items Tested</u>	<u>Dollar Amount of Items Not in Compliance</u>	<u>Amount of Questioned Costs</u>
DEPARTMENT OF HEALTH AND HUMAN SERVICES							
Section 330 F-1 Program							
<u>Statement of Condition</u>							
Federal forms 272 were not accurately prepared.	4	4	4	*	*	*	*
<u>Criteria</u>							
Federal financial report requirements state that the recipient's financial management system shall provide for accurate, current and complete disclosure of the financial results of each federally sponsored project.							
<u>Effect of Condition</u>							
The organization could have grant support eliminated.							
<u>Cause of Condition</u>							
The organization did not reconcile their reports to a general ledger.							
						TOTAL	<u>\$5,565.00</u>

* Effect is either nominal, not ascertainable or not applicable.